

**REPORT TO THE LEGISLATURE**

**WORKFIRST MAINTENANCE OF EFFORT AND WORK PARTICIPATION RATE  
SECOND QUARTER CALENDAR YEAR 2017**

Chapter 36, Laws of 2016

January 1, 2018

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STATE OF WASHINGTON

**DEPARTMENT OF SOCIAL AND HEALTH SERVICES**

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**WorkFirst Maintenance of Effort and Work Participation Rate Report:  
Second Quarter Calendar Year 2017  
Data: Fourth Quarter, Federal Fiscal Year 2017**

**Executive Summary**

The 2017 Washington State Legislature mandated that DSHS produce a report each calendar quarter, beginning July 1, 2016, tracking maintenance of effort and participation rates for the Temporary Assistance for Needy Families (TANF) program. This report shall be provided to the Office of Financial Management, appropriate policy and fiscal committees of the state legislature, and the Legislative-Executive WorkFirst Oversight Task Force.

**Statutory Requirement**

[Chapter 36, Laws of 2016](#) Section 207 (1)(g) requires the report on maintenance of effort and work participation rate tracking for TANF include the following details:

1. An overview of federal rules related to maintenance of effort, excess maintenance of effort, participation rates for TANF, and the child care development fund as it pertains to maintenance of effort and participation rates;
2. Countable maintenance of effort and excess maintenance of effort, by source, provided for the previous federal fiscal year;
3. Countable maintenance of effort and excess maintenance of effort, by source, for the current fiscal year, including changes in countable maintenance of effort from the previous year;
4. The status of reportable federal participation rate requirements, including any impact of excess maintenance of effort on participation targets;
5. Potential new sources of maintenance of effort and progress to obtain additional maintenance of effort; and
6. A two-year projection for meeting federal block grant and contingency fund<sup>1</sup> maintenance of effort, participation targets, and future reportable federal participation rate requirements.

<sup>1</sup>Contingency Funds for State Welfare Programs are additional Federal funds available to States, at their request, when unfavorable economic conditions exist. They are considered provisional payments, according to section 403(b)(3)(A) of the Social Security Act. Unfavorable economic conditions are determined based on calculations using a State's unemployment rate, or calculations using a State's SNAP caseload.

## I. Overview of Federal Rules

When Congress created the Temporary Assistance for Needy Families (TANF) program through the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, states were required to meet “maintenance of effort” (MOE) and federal Work Participation Rate (WPR) requirements to receive the full federal TANF block grant and avoid penalties. The most recent changes in federal legislative requirements were made via the Deficit Reduction Act of 2005.

### A. Maintenance of Effort

Federal regulations applying to state MOE requirements are outlined in [45 CFR 263.1 through 263.9](#). States generally must spend at least 80 percent of the general fund state amount spent on AFDC-related programs in Federal Fiscal Year (FFY) 1994, which may be reduced to 75 percent if the state had met its WPR targets the year prior. Since ACF does not announce the results for any given period until years later, all planning uses the higher 80% threshold of \$272,964,476.

### B. Excess Maintenance of Effort

Federal regulations outlined in [45 CFR 260.20](#) and [45 CFR 263.2](#) allow states to count as MOE funds expended in addition to the amount spent by the state in direct support of the TANF (WorkFirst) program. Referred to as “third-party” spending, this may include spending by: 1) other state agencies (e.g. Office of the Superintendent of Public Instruction), 2) local governments, and 3) private and non-profit charitable organizations. To be eligible as excess MOE, this third-party spending must be directed toward a TANF-eligible population and advance one of these primary purposes of the TANF program:

- Providing assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- Ending the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- Preventing and reducing the incidence of out of wedlock pregnancies and establishing annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- Encouraging the formation and maintenance of two parent families.

### C. TANF Participation Rates

Work Participation Rate (WPR) requirements are outlined in [45 CFR 261.20 through 261.25](#). States must meet both the All Family (50%) and Two-Parent (90%) participation targets to avoid penalties.

The All Family WPR is calculated by dividing the total number of TANF families with a work-eligible individual who have successfully met the requirements outlined in [45 CFR 261.31](#) (numerator = x), by the total number of TANF families subject to work requirements, minus certain families in sanction for refusal to participate or eligible for the

12-month Infant Exemption [denominator =  $y - (a+b)$ ]. A visual representation of this equation is as follows:

X = All families with a work-eligible individual who are satisfying their work requirements.

Y = All families with a work-eligible individual (those who are satisfying their requirements as well as those not meeting requirements) minus those sanctioned or exempted.

WPR rate =  $X/Y$

A family is considered engaged in work for the purposes of the All Family participation rate if a work-eligible individual in the family participates in a work activity at least 30 hours per week, provided the following conditions are met:

- At least 20 hours per week must involve participation in one of the following ‘core’ activities:
  - Unsubsidized employment;
  - Subsidized private-sector employment;
  - Work Experience;
  - On-the-job training;
  - Job search or job readiness assistance;
  - Community service programs;
  - Vocational education training; and
  - Providing child care services to an individual participating in a community service program.
- The remaining 10 hours per week (‘non-core’) may involve the above noted activities or the following:
  - Job skills training directly related to employment;
  - Education directly related to employment; and
  - Satisfactory attendance at high school or a high school equivalency program.

The Two-Parent WPR is calculated by dividing the total number of TANF families with two work-eligible parents that meet the work activity requirements outlined in [45 CFR 261.32](#) by the number of TANF households that have two work eligible parents, minus certain families in sanction for refusal to participate. Two Parent households are not eligible for the federal Infant Exemption exclusion mentioned above. A family with two work-eligible parents counts as engaged in work activities for the purposes of the Two-Parent participation rate if the parents in the family are participating in work activities for a combined average of at least 35 hours per week and the following conditions are met:

- At least 30 hours per week must involve participation in one of the following ‘core’ activities:
  - Unsubsidized employment;
  - Subsidized private-sector employment;
  - Work Experience;
  - On-the-job training;
  - Job search or job readiness assistance;
  - Community service programs;

- Vocational education training; and
  - Providing child care services to an individual participating in a community service program.
- The remaining 5 hours per week ('non-core') may involve the above noted activities or the following:
    - Job skills training directly related to employment;
    - Education directly related to employment; and
    - Satisfactory attendance at high school or a high school equivalency program.

***Calculating Work Participation Rate Requirements***

In general, states must maintain an All Family participation rate of 50 percent ([45 CFR 261.31](#)) and a Two-Parent participation rate of 90 percent ([45 CFR 261.32](#)) to meet WPR requirements. However, the actual WPR targets that the state must meet vary based upon multiple factors.

The caseload reduction credit detailed in [45 CFR 261.40 through 261.44](#) allows states to reduce their target work participation rates based on the number of percentage points by which the size of the state’s caseload has fallen since 2005 for reasons other than changes in eligibility rules. Health and Human Services (HHS) calculates the state’s caseload reduction credit for each year by comparing the average monthly number of families receiving assistance funded by federal TANF or state MOE funds of the prior fiscal year with the state’s average monthly caseload for 2005. For example, if the state’s 2011 average caseload is 10 percent less than its 2005 average monthly caseload, the state would receive 10 percentage points of caseload credit toward its work participation rate for 2012, lowering the rate it must meet for All Families from 50 percent to 40 percent ([CBPP, Changes in TANF Work Requirements, 2013](#)). States may not include caseload reductions associated with changes in federal law or changes the state made to its eligibility criteria compared to the criteria used in 2005.

[45 CFR 261.43](#) also permits states to further reduce its target requirements if they are investing state and third-party MOE in excess of grant and contingency fund matching requirements. This amount is known as “excess MOE.” The number of cases with assistance-related expenditures from “excess MOE” may be subtracted from the total caseload for the FFY. For example, if \$45,000,000 is determined to be “excess MOE,” and the average expenditure per case is \$4,500, the current FFY caseload can be reduced by  $\$45,000,000 / \$4,500 = 10,000$  cases. This reduction provides what is termed the “adjusted caseload,” which is used during caseload comparisons when calculating the caseload reduction credit reference above. Below is a formula that further explains the caseload reduction credit formula:

- Step 1: Total MOE - Total Required MOE = Excess MOE
- Step 2: Excess MOE / Expenditure Per Case = Cases Funded by Excess MOE
- Step 3: Actual FFY Caseload – Cases Funded by Excess MOE = Adjusted Final Caseload
- Step 4: Adjusted Final Caseload is compared to FFY 2005 Caseload to determine percent of caseload decrease = Caseload Reduction Credit

#### **D. Child Care Development Fund**

The following child care subsidy expenditures may be counted as TANF MOE, as noted in [45 CFR 263.3](#):

1. State funds used to meet the requirements of the Child Care Development Fund (CCDF) up to the amount the state must expend for quality CCDF matching funds. These dollars can be double-counted as both CCDF match and TANF MOE; and
2. Other child care expenditures that have not been used as matching funds or MOE for any other federal child care.

#### **E. MOE Penalties**

Consequences for failure to meet the MOE requirement, as outlined in [45 CFR 263.8](#), include a dollar-for-dollar reduction in the TANF block grant the subsequent year and the requirement to expend additional state funds equal to the amount by which the state fell short.

## **II. Countable Maintenance of Effort and Excess Maintenance of Effort, by Source, for Previous Federal Fiscal Year**

The State of Washington did not successfully meet its Work Participation Rates for the Federal Fiscal Year (FFY) 2015. When a state does not meet its participation rates, qualified State expenditures must equal at least 80 percent of historic State expenditures (FFY 1994 Expenditures are used). Thus, for Federal Fiscal Year 2016, Washington's requirement is as follows:

FFY1994 expenditures  $\$341,205,595 \times 0.80 = \$272,964,476$  required for FFY2016.

<b>FFY 2015 MAINTENANCE OF EFFORT (MOE) EXPENDITURES for FFY 2016 TARGETS</b>	
DSHS – Budgets	\$83,427,149
CCDF Double Count	\$38,707,605
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$112,679,191
Office of Public School Instruction (OSPI) – Learning Assistance Program	\$120,627,233
Office of Public School Instruction (OSPI) – Full-Day Kindergarten	\$68,132,073
Office of Public School Instruction (OSPI) – K-3 Supplemental Funding	\$32,930,086
Washington Student Achievement Council (WSAC) – State Needs Grant, College Bound Scholarships	\$63,698,238
Department of Early Learning (DEL) – ECEAP, ECLIPSE, Home Visiting, Needs Based Grant	\$51,685,205
Department of Corrections (DOC) – CD Treatment	\$2,448,191
Washington Telephone Assistance Program (WTAP)	\$403,778
Children's Kinship	\$530,492
Department of Commerce (COM) - Housing Programs, Emergency Rental Assistance	\$13,535,080
Tribal Food Pantry	\$34,227
Second Harvest	\$861,275
Northwest Harvest	\$16,637,241
<b>TOTAL</b>	<b>\$606,337,064</b>

### III. Countable Maintenance of Effort and Excess Maintenance of Effort, by Source, for Current Federal Fiscal Year

The State of Washington successfully met its Work Participation Rates for the Federal Fiscal Year (FFY) 2016. When a state meets its participation rates, qualified State expenditures must equal at least 75 percent of historic State expenditures (FFY 1994 Expenditures are used). Thus, for Federal Fiscal Year 2017, Washington's requirement is as follows:

FFY1994 expenditures \$341,205,595 x 0.75 = \$255,904,196 required for FFY2017.

FFY 2016 MAINTENANCE OF EFFORT (MOE) EXPENDITURES for FFY 2017 TARGETS		Difference 2016-2017
DSHS – Budgets	\$118,657,656	\$35,230,507
CCDF Double Count	\$38,707,605	\$0
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$117,732,376	\$5,053,185
Office of Public School Instruction (OSPI) – Learning Assistance Program	\$116,938,289	(\$3,688,944)
Office of Public School Instruction (OSPI) – Full-Day Kindergarten	\$0 <sup>a</sup>	(\$68,132,073)
Office of Public School Instruction (OSPI) – K-3 Supplemental Funding	\$40,892,775	\$7,962,689
Washington Student Achievement Council (WSAC) – State Needs Grant, College Bound Scholarships	\$53,821,532	(\$9,876,706)
Department of Early Learning (DEL) – ECEAP, ECLIPSE, Home Visiting, Needs Based Grant	\$63,056,936	\$11,371,731
Department of Corrections (DOC) – CD Treatment	\$142,382	(\$2,305,809)
Washington Telephone Assistance Program (WTAP)	\$0 <sup>b</sup>	(\$403,778)
Department of Commerce (COM) - Housing Programs, Emergency Rental Assistance	\$16,897,801	\$16,367,309
Children's Kinship	\$1,490,780	(\$12,044,300)
Tribal Food Pantry	\$330,509	\$296,282
Second Harvest	\$1,474,219	\$612,944
Northwest Harvest	\$30,978,152	\$14,340,911
<b>TOTAL</b>	<b>\$601,121,012</b>	<b>(\$5,216,052)</b>

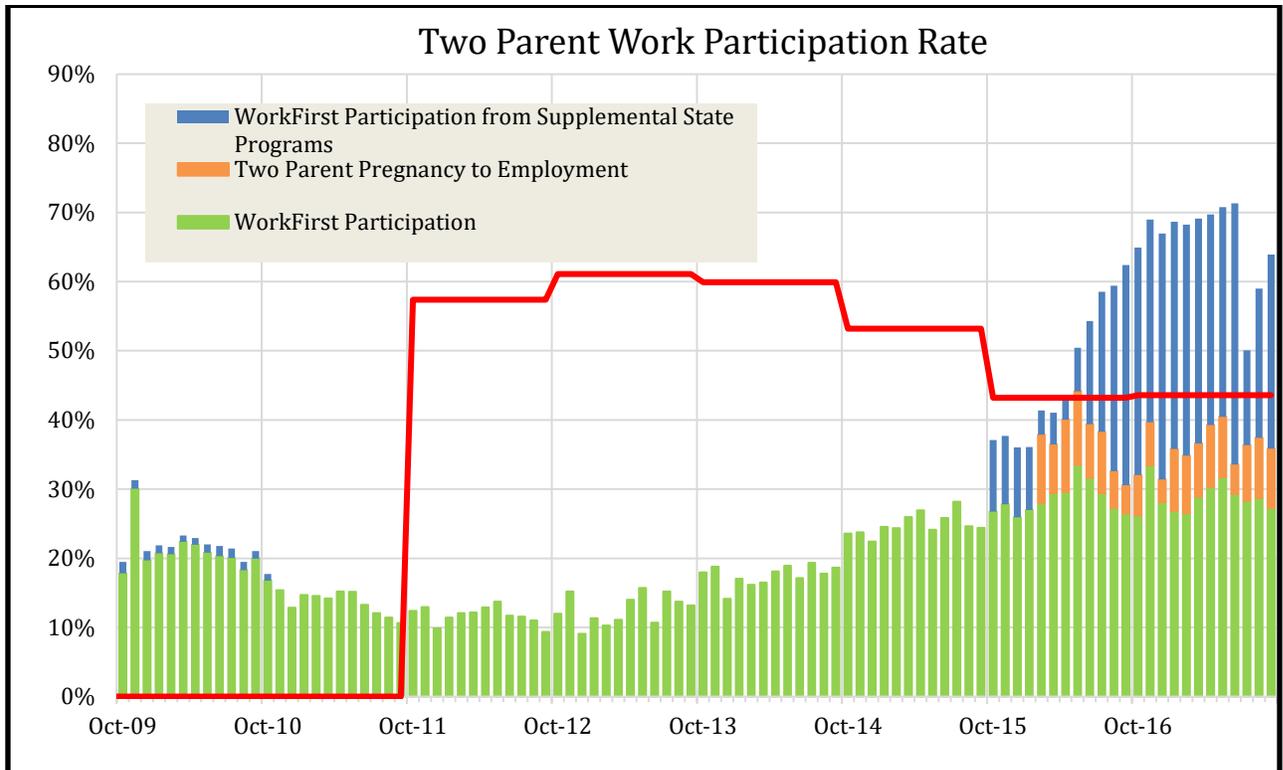
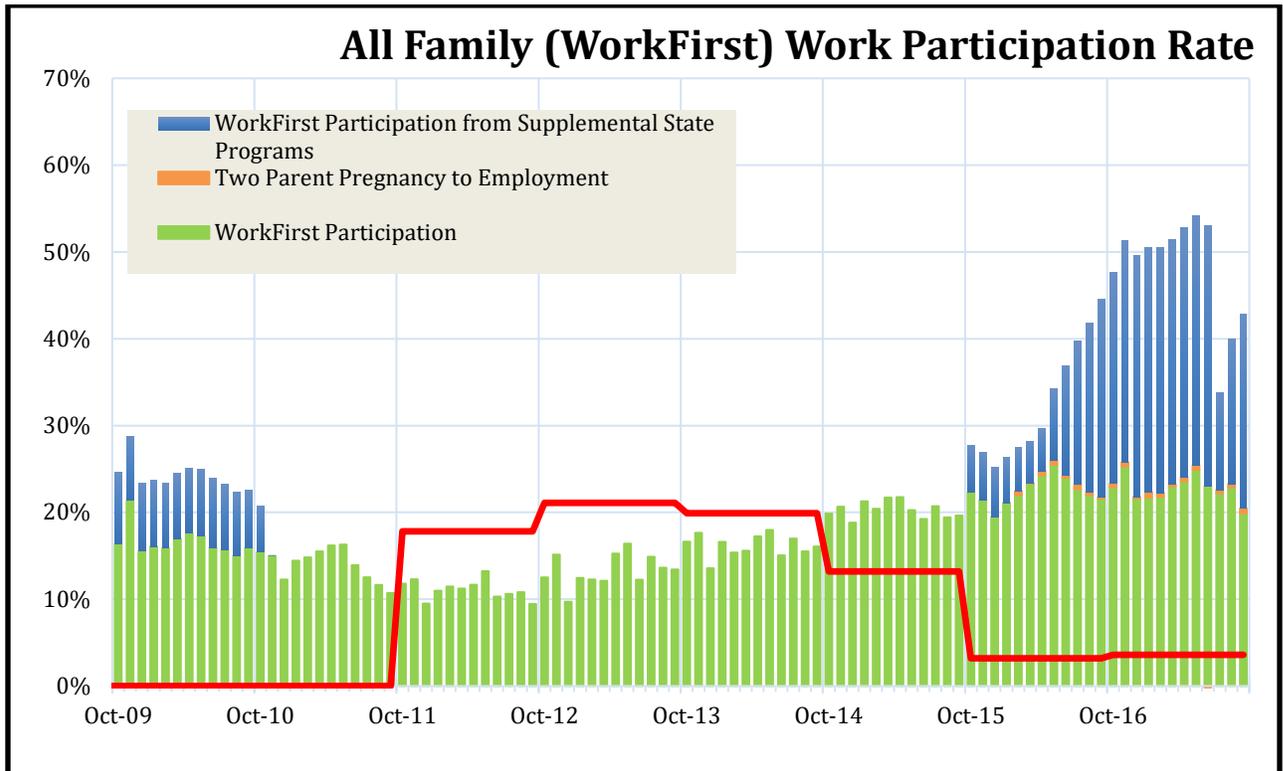
**a** - lost due benefit becoming generally available to the public

**b** - partial year due to loss of funding for this activity

#### IV. Status of Reportable Federal Participation Rate Requirements

(Including impact of excess Maintenance of Effort on participation targets)

Source: WorkFirst Performance Chartbook as of September 2017



See section V. for information on Supplemental State Programs

## V. Maintenance of Effort – Progress and Potential New Sources

Since the last update, the TANF MOE Team is finalizing the FFY2017 report to its federal grantor, the ACF-204 report. The MOE process between DSHS and external partners has been reviewed by the State Auditor’s Office, and each MOE sources’ processes were evaluated to ensure compliance with federal guidelines. The TANF MOE Team has ensured the 2017 MOE claim reflects the most accurate, reliable, and verified expenditures, and will use the 2017 claim as a standard for future work.

Two-year Projection for Meeting Federal Block Grant and Contingency Fund Maintenance of Effort, Participation Targets, and Future Reportable Federal Participation Rate Requirements

<b>FFY 2017 MAINTENANCE OF EFFORT (MOE) EXPENDITURES for FFY 2018 TARGETS</b>	
DSHS – Budgets	\$121,336,798
CCDF Double Count	\$38,707,605
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$101,020,598
Office of Public School Instruction (OSPI) – Learning Assistance Program	\$133,755,923
Office of Public School Instruction (OSPI) – K-3 Supplemental Funding	\$47,471,807
Washington Student Achievement Council (WSAC) – State Needs Grant	\$49,648,164
Washington Student Achievement Council (WSAC) – College Bound Scholarships	\$358,795
Department of Early Learning (DEL) – ECEAP, Home Visiting, Eclipse, Seasonal Child Care, Barrier Reduction, Needs Based Grant	\$67,504,919
Department of Commerce (COM) - Housing Programs, Emergency Rental Assistance	\$16,192,297
Department of Commerce (COM) - Weatherization	\$449,629
Children’s Administration – Kinship Emergent Relative Placement	\$2,057,903
Department of Agriculture – Tribal Food Pantries	\$498,040
Northwest Harvest	\$25,382,374
Second Harvest of Inland Northwest	\$1,067,740
<b>Annual Total</b>	<b>\$605,452,592</b>

*a* - lost due benefit becoming generally available to the public

*b* - partial year due to loss of funding for this activity

<b>Projected FFY 2018 MAINTENANCE OF EFFORT (MOE) ESTIMATES for FFY 2019 TARGETS</b>	
DSHS – Budgets	\$107,807,201
CCDF Double Count	\$38,707,605
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$101,020,598
Office of Public School Instruction (OSPI) – Learning Assistance Program	\$133,755,923
Office of Public School Instruction (OSPI) – K-3 Supplemental Funding	0 <sup>a</sup>
Washington Student Achievement Council (WSAC) – State Needs Grant	\$47,471,807
Washington Student Achievement Council (WSAC) – College Bound Scholarships	\$49,648,164
Department of Early Learning (DEL) – ECEAP, Home Visiting, Eclipse, Seasonal Child Care, Barrier Reduction, Needs Based Grant	\$67,504,919
Department of Commerce (COM) - Housing Programs	\$16,192,297
Department of Commerce (COM) – Weatherization	\$5,000,000
Children’s Administration – Kinship Emergent Relative Placement	\$2,057,903
Department of Agriculture – Tribal Food Pantries	\$498,040
Office of Public School Instruction (OSPI) – Running Start Program	\$0 <sup>c</sup>
State Board of Community and Technical Colleges (SBCTC) – Worker Retraining Program	\$0 <sup>c</sup>
United Way – King County, State of Washington	\$0 <sup>c</sup>
Goodwill Industries – City of Seattle	\$0 <sup>c</sup>
Northwest Harvest	\$25,382,374
Second Harvest of Inland Northwest	\$1,067,740
<b>Annual Total</b>	<b>\$596,114,571</b>

*a* - lost due benefit becoming generally available to the public

*b* - partial year due to loss of funding for this activity

*c* - new source, amount to be determined

<b>Projections of Target and Achieved WPR</b>				
<b>Report Year</b>	<b>All Family Target</b>	<b>All Family Achieved</b>	<b>Two Parent Target</b>	<b>Two Parent Achieved</b>
<b>2017</b>	3.6%	48.1%	43.6%	66.0%
<b>2018</b>	4.2%	44.4%	44.2%	65.3%